Marketing Communications: Solutions to Review Questions

**Chapter 6**

**Review questions**

What constitutes a brand?

What are the different types of brand? Use examples to illustrate you answer.

What are the three multi-branding strategies organsations can incorporate?

Discuss the benefits of brand equity, and consider the most effective approach to appropriate it.

Discuss the benefits brands can bring to organisations, are there any pitfalls?

Are brands becoming more or less important? Why?

**Solutions**

Brands are defined by the American Marketing Association (AMA) (1960) in their widely used definition as:

“…a name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.”

Considering the AMA definition then, a brand consists of various elements, which could include combinations of names, signs, terms, symbols, URLs, and even employees (DuBois et al., 2014). In more recent times, developing technology and increasingly competitive markets ensured brands have evolved from basic marks of quality, to conduits of values, ideas, and sophisticated personalities (Aaker, 1997) allowing marketers new ways to connect with their customers, and stand out from competition. It should be noted that products and brands are not necessarily the same thing. While products can refer to anything that may satisfy needs or wants, and can include things such as laptops, banking services, or charitable assistance; a brand is the addition to the product of elements that make it stand out from the competition, or differentiate it. For example an Apple or Dell logo conjure up very different perceptions of the laptop product, its typical users, and the tasks it can be used for.

Brands can be manufacturer, or own-label brands. *Manufacturer brands* are developed and controlled by the producer of the product or provider of the service, whereas *own-label brands* (also called distributer/retailer brands) are developed and controlled by distributors. For example, Coca-Cola is a manufacturer brand, where the manufacturer retains responsibility and control over marketing. Large supermarkets may wish to enhance their retail revenue by developing an own-label cola drink, or in other words, an own-label brand. While generally these brands are priced as a cheaper alternative for consumers, they can be positioned as high quality, luxuries, or indeed healthier alternatives such as Marks & Spencer’s *Count on Us* range). To combat the rise of own-label brands, so called *fighter brands* are emerging. These are additional manufacturer brands developed specifically to compete with own-label or competing brands, often in the form of a lower price alternative to the primary manufacturer brand, but also as a defensive competitive strategy. In the airline industry for example, to combat increasing competition from low-cost airlines such as Ryanair, British Airways ultimately unsuccessfully, launched its own low-cost airline under the ‘Go’ brand. Traditionally branding has focused on external stakeholders (Aurand et al., 2005), but growing evidence suggests brands have significant internal influence, and affect employees of their host organisation (Schlager et al., 2011). There are also *licensed brands* (i.e., a brand produced by a company under authorisation from the owner for a fee) and *pure play* brands (i.e., a brand which can offer manufacturer and own-label brands).

The choice of brand strategy will be guided by the current situation of, and aims of an organisation. Several brand strategy options applicable to organisations marketing a *single brand* are described in Table 6.2 (p. 106).

*Line extensions* are frequently used by marketers, and can aid an organisation’s competitive position in several ways; through occupation of shelf-space that would otherwise be used by competitors, targeting a niche subgroup of consumers more effectively, and encouraging a dyadic flow of positive feeling between both the new brand extension and its parent brand, potentially boosting sales across the brand portfolio (Reddy et al., 1994). Line extensions can also have negative impacts such as dilution of meaning in the minds of consumers regarding the attributes of a brand. Furthermore, there is the possibility that a brand extension, rather than winning market share from competition, takes sales away from the parent brand, negatively affecting an organisation’s bottom line. Finally, unsuccessful brand extensions can have negative impacts upon the parent brand, for example, if a new brand extension was embroiled in controversy or deemed to be of unacceptable quality, negative perceptions could adversely impact the parent brands sales. *Brand extensions* as allow organisations to introduce new products or services at reduced risk, as they can ‘piggy-back’ upon the positive attitudes towards the original brand. Another advantage is the reduced cost associated with this approach as opposed to launching an entirely new and untested brand.

The proliferation of the brand equity concept has developed in tandem with an increasing appreciation of the power that brands hold (Keller, 2002). Nevertheless, despite general acceptance of the benefits (e.g. increased stock prices (Simon & Sullivan, 1993), improved long term cash flow (Srivastava & Shocker, 1991), ability to command premium prices (Keller, 1993) there is debate as to what brand equity is, and crucially, how best to measure it. The development of brand equity consequently increases value for both the organisation and the customer, value that then feeds back to the marketing activity stage and influences the process all over again while generating sustainable competitive advantage (Bharadwaj et al., 1993). Brand equity has been generally defined as “…the marketing effects uniquely attributable to the brand” (Keller 1993: 1). Farquhar (1989) suggested the financial added-value to a product constituted brand equity, whereas Swait et al. (1993) consider brand equity to be the internal valuation consumers hold of a brand competing against other brands, compared to a non-competitive market. Feldwick (1996) offers an attempt at a universal definition of brand equity whereby it is a construct of brand value (evaluated through accounts and financial monitoring), brand strength (through evaluating consumer-brand attachment), and brand description (attitudes held by customers towards a brand). Subsequently, other researchers have variously suggested further elements, and definitional debates continue. Brand equity can be developed using the strategies described in Table 6.3 (p.112). As this shows, there are several different approaches to acquiring brand equity. The most appropriate depends on the competitive environment, the strengths and abilities of the organisation, and the target customer base. Different markets will be more receptive to different techniques. Once organisations have established brand equity, to realise its value and derive the financial benefits it brings requires some form of measurement.

Table 6.1 (p. 104) illustrates branding benefits. In noting the potential pitfalls, good students will include points related to the risk of brands being damaged through unforseen circumstance, the cost associated in establishing strong brands, as well as the need to constantly evaluate and augment the brand to maitain its strength. Finally, students may consider how brands’ success can sometimes be tied to cultures, so perhaps brands can limit a product’s adoption in emerging markets.

A good answer should consider the following points and give examples. Now, more than ever before, marketing is complex, sophisticated, and nuanced. Through rapid developments in technology, marketers can gather information and target segments of markets that were previously undistinguished. Furthermore, globalisation and logistical interconnectedness have increased overall market size. To realise the opportunities this presents, developing the correct brand, delivered using appropriate and effective strategies is increasingly important. This evolution has not been one sided however; consumers too, are increasingly benefitting from the technology, and information revolution to inform their consumption decisions within evermore crowded markets. As an outcome of these developments, brand equity has risen to prominence in determining the overall value and success of organisations, building it is an immense challenge, but truly successful organisations understand the importance of maintaining it through constant evaluation